

JUL 1949

TOP SECRET

1033

FAR EAST

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1. **CHINA: US pressure recommended to ease Shanghai situation--**
US Consul General Cabot in Shanghai, in an analysis of the
disquieting pattern of recent events in Shanghai, reports that:
(a) the only law in Shanghai is that of the Communist military
authorities; (b) foreigners are often subjected to an invasion
of their fundamental rights; and (c) on the basis of available
information, events in Shanghai are believed part of a normal
pattern of revolution rather than a deliberate Communist plan.
Cabot points out that foreign firms are currently losing heavily
but fears that if they try to close down, foreign nationals may
find themselves virtually held for ransom, with the approval
or acquiescence of Communist authorities. Cabot believes
that if the US is to pursue an antagonistic policy toward the
Chinese Communists, it would be better to get all Americans
out of Shanghai (and if necessary pay them for their property
losses) rather than leave them where they are subject to
Communist retaliation and where their continued presence
under such circumstances will lead to further incidents. Cabot
therefore, in the hope of forcing the Communists to do some-
thing about the situation in Shanghai, recommends that the US
request permission from Communist authorities in Peiping
to evacuate by commercial ship or planes all Americans desiring
to leave Shanghai.

(CIA Comment: CIA believes that the Chinese Communist Party, while officially committed to the protection of foreign interests, welcomes the opportunity provided in Shanghai for channeling the demonstration of popular dissatisfaction with present conditions toward foreigners rather than the new Communist regime. The Communists thus hope indirectly to warn the western powers that their future in China depends upon the establishment of friendly diplomatic and commercial relations with the new regime. Because the Communists do not wish US commercial interests to withdraw from China at this time, however, a withdrawal threat might well induce the Communist Party leadership to order local authorities in Shanghai to ease the situation.)

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NO CHANGE in Class. ☐

☐ DECLASSIFIED

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